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Start. Grow. Innovate.

Annual Report 2010-2011

Innovation PEI

Business Development

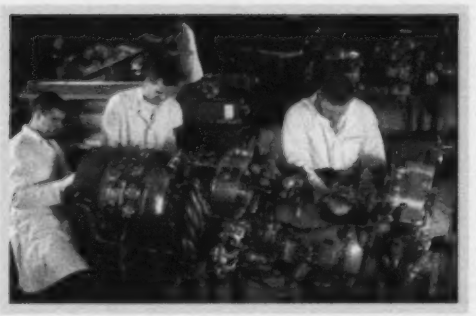
Prospecting & Innovation

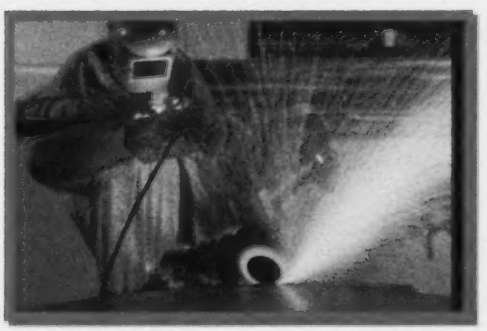
Lending Services

Strategic Initiatives & Properties

Atlantic Technology Centre

Food Technology Centre





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Index

INDEX	Page 2
LETTERS & MEMBERS	
Message from Chief Executive Officer	Page 3
Board of Directors	Page 4
DIVISIONS	
Business Development	Page 5
Lending Services	Page 8
Prospecting & Innovation	Page 9
Strategic Initiatives & Properties	Page 12
OTHER	
Atlantic Technology Centre	Page 13
Food Technology Centre	Page 14
Consolidated Financial Statements	Appendix A

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Message from Chief Executive Officer

Honourable Allan Campbell
Minister of Innovation and Advanced Learning
PO Box 2000
Charlottetown, PE
C1A 7N8

Dear Minister Campbell,

It is my pleasure to submit the Innovation PEI Annual Report for the fiscal year ending March 31, 2011.

As the crown agency responsible for economic development in Prince Edward Island, Innovation PEI is dedicated to fostering opportunities for employment.

Over the past year Innovation PEI was successful in creating employment opportunities for Islanders, in numerous areas including the growing sectors of aerospace, bioscience, renewable energy & advanced manufacturing, and information technology.

I wish to thank the employees of Innovation PEI for their hard work and dedication in helping clients pursue their goals and their continued success in creating quality employment opportunities for Islanders.

Sincerely,

Neil Stewart, CA
Chief Executive Officer
Innovation PEI

Board of Directors

Innovation PEI

- Brian Thompson, Chairman
- Brian McMillan, Director
- Wade MacLauchlan, Director
- Carl Brothers, Director
- Linda Duncan, Director
- Kevin Murphy, Director
- Kira Salonius, Director
- Duncan Shaw, Director
- Michael Mayne, Deputy Minister, Department of Innovation and Advanced Learning
- Neil Stewart, Secretary/Treasurer to the Board, CEO, Innovation PEI

Atlantic Technology Centre

- Michael Mayne, Chairman, Deputy Minister, Department of Innovation and Advanced Learning
- Shannon Burke, Treasurer
- Neil Stewart, Secretary

Business Development

The Business Development Division is responsible for the coordination and delivery of information and assistance to new and existing local businesses in Prince Edward Island. The group provides counselling, financial assistance, business guidance; entrepreneur education and management development to assist businesses with start up, expansion and diversification of business that supports the long term viability of Island companies.

Supporting small business continues to be a high priority within Innovation PEI. Small and mid-sized enterprises (SMEs) make up the bulk of business establishments in Prince Edward Island.

Innovation PEI supports small business and encourages entrepreneurship through cost shared financial assistance for planning, capital acquisitions, market development, technology, training and innovation.

The division delivers a series of incentive programs targeted at a variety of industry sectors. Over 581 projects were directly funded under a variety of small business support programs at Innovation PEI during the 2010-2011 fiscal year resulting in an investment of $7.4 million and levers approximately another $40 million investment into the economy from other sources.

The Business Development Division also contains the Trade and Marketing section whose mandate is to assist Prince Edward Island companies in becoming export ready leading to increase revenues generated from export sales

This section provides training, support for market-entry activities and market-specific information. It also represents the Province on management committees for regional agreements such as the International Business Development Agreement and the Atlantic Canada Food Export Partnership.

Business Development

Highlights

- Innovation PEI staff act as the primary contact for Islanders seeking business information, financing, mentoring or counselling.
- 581 projects in the last fiscal year levering an investment of over $40 million into Island companies.
- 41 projects approved under progressive tax programs, including the labour rebate program resulting in investment of approximately $11 million.
- 712 small business owners/managers participated in 62 training workshops in eight communities across Prince Edward Island under the Profit Learn Program.
- The Division supports youth business programming such as the delivery of the Junior Achievement program, the Young Millionaires program, University Student Business Planning contest and Advancing Canadian Entrepreneurship (ACE) PEI.
- Staff hosted approximately 2,700 in person meetings during the 2010-2011 fiscal year. Staff also estimates an additional 3,000 plus phone calls and countless e-mail correspondence from Islanders regarding small business development.
- The Business Mentoring program was extended to Summerside this year. The program objective is to help new entrepreneurs in the East Prince Area grow their business by developing a network of experienced business leaders willing to share their knowledge and experience. Overall in two centres, Charlottetown and Summerside, 18 matches are underway.
- The Self Employment program delivered by division staff on behalf of Skills PEI has assisted 33 individuals currently preparing business plans and 67 individuals who have already started new businesses.

Trade & Marketing

The mandate of the Trade division is to increase revenues generated from export sales and to assist Island companies in their establishment and/or growth of export markets. Staff works in partnership with the other divisions of Innovation PEI, federal representation through ACOA and the respective provincial and federal departments.

The division represents the Province on management committees for regional agreements such as the International Business Development Agreement (IBDA) and the various sector working groups most notably in the areas of bioscience, aerospace, advanced manufacturing, renewable energy, information technologies and food/seafood.

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Business Development

Trade Missions

The division leads a number of targeted trade missions to pre-selected markets that offer good export opportunities. These missions and shows provide a cost-effective method for companies to gain entry into a market, gather important market information and learn about obstacles that might exist. This past year delegates traveled to geographic markets in the United States, Central America, Europe and Asia.

Division staff provides counselling support to Island small businesses in the area of export market development. Projects range from individualized training on export security to competitive intelligence to market entry. This support leads to increased sales for Island companies as they explore export opportunities in new markets.

Highlights

- Offered export information to Prince Edward Island small businesses during small business week.
- Hosted market information sessions where companies were exposed to market opportunities in various parts of the United States, Japan, China, Mexico and the Caribbean Region.
- Led successful trade missions to Boston, Florida, New York, United Kingdom, Japan and the Caribbean Region.
- Participated in the Conexmar Frozen Seafood Show and the Boston, European and China Seafood Shows
- Provided support to the Americas Food and Beverage Show, Warner Robins Aerospace Symposium, Atlantic Craft Trade Show, National Restaurant Association Show, Paris Air Show, Aqua Sur 2010, International Builders Show and the Interservice Industry Training Simulation and Education Conference and Expo.
- Supported the following conferences and events that enabled Island exporters to make valuable contacts, showcase products and learn more about future industry opportunities.
  - Greenbuild Internationals Conference & Expo
  - HIMSS 11 Conference & Exhibition – Orlando
  - San Francisco Game Developer's Conference
  - South Eastern United States and Canadian Providences Conference (SEUS-CP)
  - BIO International Conference
  - Trade Team PEI Officials Mission to Cuba
  - New England Organic Mission
  - Canadian Agri-food Trade Mission to Dominican Republic & Costa Rica
  - Pan-Atlantic Trade Mission to Panama
  - Prince Edward Island/Atlantic Seafood Mission to Las Vegas

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Lending Services

The Lending Services Division provides financing, strategic investments and loan guarantees in support of Prince Edward Island businesses to create, maintain or expand business opportunities that will result in wealth and job creation for the Province.

Our lending and investment activities are focused on manufacturers, processors and service providers in the Corporation's priority development sectors, with emphasis on businesses involved in exporting to domestic and international markets, import replacement and value-added processing.

As a developmental lender, the Division seeks innovative and generally higher risk projects than conventional lenders. By utilizing a non-formula approach to lending, the Division strives to maximize development opportunities for the province while balancing financial risk of the project with the projected economic return.

The Division prides itself in providing clients with innovative financial solutions that generally involve multiple stakeholders, including conventional lenders and other business development agencies. This is achieved by using a variety of financial products, such as demand loans, revolving lines of credit, term loans, equity investments and loan guarantees to meet the client's specific financing needs.

As a complementary lender to that of conventional lenders, the Division plays an unique and important role in the lending marketplace. By developing partnerships with conventional lenders and other business development agencies, the Division assists its clients to leverage additional financing and other resources required to enable the projects to proceed.

Also, as part of its non-conventional approach to commercial lending, the Division can act as a financial intermediary, utilizing staff expertise in banking and accounting to assist clients to assemble financial packages for their projects with other lenders and government agencies.

Highlights

- Provides financing, strategic investments and loan guarantees in support of Prince Edward Island businesses. In fiscal 2011, the portfolio totaled $30.6 million outstanding to a total of 90 client accounts.

- Manages the loan portfolio of Island Investment Development Inc. (IIDI), a separate Crown Corporation. IIDI invests federal immigrant funds through low interest term financing to Prince Edward Island businesses where there will be significant economic benefit to the Province. During the fiscal year, IIDI's loan portfolio exhibited growth with $40.3 million in new loans. Overall, the total number of loan accounts at fiscal increased from 10.1% to 87 while the portfolio value (loans outstanding) grew by 4.6% to $128.9 million in comparison to the prior fiscal year.

- Manages the Winter Production Financing Program, which provides loans to new and expanding craft and giftware manufacturers to increase product inventory during the winter months to meet peak sales periods. The portfolio has 23 client accounts totaling $165,654.

Prospecting & Innovation

The Prospecting & Innovation Programs Division is responsible for attracting outside investment to Prince Edward Island and managing programs focused on strengthening the strategic sectors of bioscience, information technology, aerospace, and renewable energy.

The prospecting function of the division performs activities to identify, evaluate and secure investment leads that result in business formations and expansions that strengthen our economy and increase employment opportunities for Islanders. The program management function of the division participates in the creation of policies and programs, and is responsible for the ongoing administration of policies, programs, and projects. The division works closely with the Atlantic Canada Opportunities Agency and regional business development corporations, and other organizations whose primary function may not be economic development, including Holland College, the University of Prince Edward Island, and other education or research institutions.

Division activities include attendance at various industry events, marketing, networking, performance measures and impact analysis, communications, strategic planning, and labour and skills development. Priorities evolve based on skills supply/ shortage, demographic trends, economic climate, growth potential of industries, enhancement to existing industries, and other factors.

Invest PEI is a partnership between Innovation PEI, the Government of Canada and various economic development organizations. Invest PEI uses a team approach to increase awareness of Prince Edward Island as an investment location with consistent messaging and branding.

This cooperative approach enables provincial, federal and municipal organizations to effectively conduct prospecting activities by providing potential investors with a "one-stop shop".

Island Prosperity Strategy Programs

The Island Prosperity Strategy (IPS) Programs were implemented as part of Government's strategy to advance the strategic sectors of Prince Edward Island's economy: aerospace, bioscience (including primary sectors), information technology, and renewable energy. The Island Prosperity banner includes nine funding programs delivered by the Prospecting & Innovation Programs Division of Innovation PEI.

The IPS Programs provide grants of various amounts to businesses and researchers on PEI who are developing new and innovative products, services or processes. All of the IPS programs are peer reviewed by a committee of representatives from the private and public sectors, including business, government departments, crown corporations and academia.

Since the inception of the IPS Programs, Innovation PEI has supported 111 projects across the strategic sectors. During the 2010-2011 fiscal year, Innovation PEI committed $2,738,304 to 42 projects; these projects have total costs of over $9.2 million.

The *Discovery & Development Fund* provides support to organizations during the discovery and development phases of the project cycle, with commercialization expected in the near term. Ten projects were funded for a total investment of $936,960.

Prospecting & Innovation

The *Graduate and Post-Doctoral Fellowship Program* is designed to support and develop highly skilled researchers in the strategic sectors. This support allows them to gain research experience while undertaking their graduate or post-doctoral programs. Eleven additional students were approved for support.

The *Premier's Medal for Innovation* is offered to an industry or institutional researcher who has demonstrated excellence in their field of expertise and has created significant economic activity through their research activities. This innovator must demonstrate excellence in their field, nationally or internationally, and have made significant research contributions to a strategic sector.

John Rowe, President of Island Abbey Foods was awarded the Premier's Medal for Innovation in recognition of his success in developing honey-based products. Under his leadership, Island Abbey Foods has become an internationally recognized company as the winner of the 2010 SIAL d'Or Award for the World's Best New Food Product. The company produces the first dehydrated honey products, including the Honey Drop™, Honey Delights™, Honey Sprinkles™, and Honey Lozenge™.

The *Innovation PEI Industry Research Chair Program* assists Island-based businesses in the strategic sectors to attract highly qualified researchers to undertake economically valuable research projects. These projects are of great value to Prince Edward Island, creating jobs and utilizing our local resource pool. The next call for applications is expected in the third quarter of the 2011-2012 fiscal year.

The *Pilot and Discovery Fund* is designed to support early stage proof-of-concept projects that will lead to the development of new products, services or processes in the strategic sectors. Out of the 22 applications submitted in the third round, Innovation PEI supported six projects.

The *Premier's Innovation Speaker Series* supports local leaders who have identified world experts to deliver public lectures and seminar presentations and take part in roundtable or panel discussions on Prince Edward Island. In the 2010-2011 fiscal year, three projects were supported.

The *Prototype Fund* was implemented as a Memorandum of Understanding (MOU) between Innovation PEI and NRC-IRAP. This MOU enables Innovation PEI to provide bridge funding to IRAP-approved Prince Edward Island projects, allowing those projects to move forward and meet their ongoing expenses, until further funding from IRAP is available. One project received funding during the 2010-2011 fiscal year.

The *Regulatory, Marketing and Management Fund* is for companies that are ready to bring a new product to market and require access to expertise to effectively promote their product and brand, and to meet regulatory requirements. Two project received support through this program.

The *Rural Broadband Fund* is a strategic partnership between Bell Aliant and the province of Prince Edward Island. Each partner is contributing $500,000 to assist qualified Prince Edward Island companies to execute information technology projects that have a positive economic impact, particularly in rural communities. Six projects have been supported under this program for a total investment of $330,375.

Prospecting & Innovation

Prospecting

The Prospecting division was quite successful this past fiscal in the attraction of new businesses to Prince Edward Island. It attracted twelve new investments that are estimated to create 380 new positions in the priority sectors. The investments include seven in information technology, two in business services, two in aerospace, and one in bioscience.

Successful prospecting activities in this fiscal year included the attraction of 3 Points Aviation, which will create up to 30 new jobs in the aerospace sector. The company has established a new aerospace manufacturing and repair facility in Charlottetown. This facility will result in faster turn-around times on aircraft parts and lower the repair costs of high quality products, increasing 3 Points Aviation's competitiveness.

Within the Information Technology sector, RadNet has opened a new software development centre in Summerside. RadNet, a publicly traded company with 4,300 employees, is the largest owner and operator of freestanding outpatient medical diagnostic imaging centres in the United States. The Summerside team is initially developing software for RadNet's internal use and assisting in the delivery of RadNet's broad offering of diagnostics services to its patients, operating partners and referring physicians. The company expects to hire 15 highly skilled Information Technology professionals.

Ceapro Inc., an Edmonton based biotechnology company, is involved in the development of proprietary extraction technology for the production of active ingredients from oats and other renewable plant resources. Ceapro adds further value to extracts by supporting their use in cosmeceutical, nutraceutical, and therapeutic products for humans and animals.

Primary business activities relate to the development and commercialization of active ingredients for personal care and cosmetic industries using proprietary technology and natural, renewable resources. The commercial line of natural active ingredients include beta glucan, avenanthamides (colloidal oat extract), oat powder, oat oil, oat peptides, and lupin peptides. The company is expanding and becoming one of the first tenants in the new BioManufacturing Centre in the BioCommons Research Park.

Strategic Initiatives & Properties

The Strategic Initiatives and Properties Division is responsible for all real estate held by Innovation PEI and its subsidiary companies. The portfolio includes properties and business parks as well as the agency's corporate offices located at 94 Euston Street in Charlottetown. The division also owns and manages the Atlantic Technology Centre.

PEI Business Parks

Innovation PEI has established a network of business parks that offer new and expanding businesses a comprehensive range of site locations and distinct competitive advantages.

This portfolio includes rental properties and vacant land at business parks across Prince Edward Island.

- Gateway Village
- Pooles Corner Business Park
- Souris Food Park
- Summerside Business Park
- West Prince Business Park
- West Royalty Business Park

Land is also available for development purposes at the Confederation Bridge Fabrication Yard in Borden-Carleton.

PEI BioCommons Research Park

Construction of the infrastructure (road, sewer and water) is complete for the Prince Edward Island BioCommons Research Park. This research park is a key element in the Government of Prince Edward Island's innovation and economic development strategy, Island Prosperity Strategy: A Focus For Change.

Building on the success of Prince Edward Island's bioscience sector, the BioCommons will become a platform for companies and research institutions to accelerate economic prosperity by investing in research and development.

Our Province is gaining a reputation as a national centre of excellence in natural products development for both animal and human health applications. In order to facilitate the continued growth of the sector, the establishment of the BioCommons Research Park will be a critical piece of infrastructure that will allow for the next logical stage of expansion. The Strategic Initiatives and Properties Division will continue to work with industry and other government departments in this initiative.

In the past year we have seen the construction of a 32,000 square foot multi-tenant facility within the BioCommons Research Park. This facility is designed for small to medium size companies operating within the bioscience industry, and will provide the necessary space for companies to continue to grow and prosper in Prince Edward Island.

Atlantic Technology Centre

The Atlantic Technology Centre (ATC) is a multi-use, multi-tenant facility that is focused on creating a professional services environment for private and public sector tenants.

By acting as a foundation for economic development and job creation, ATC offers corporate office space, communications and technology infrastructure in addition to meeting rooms and training facilities.

Services and Amenities

ATC is equipped with the technology necessary for full connectivity within a prosperous business environment.

Clients have access to meeting rooms of various sizes and technical fit-up: a 24 seat computer Training Lab, Conference Suite, a 50 seat interactive Theatre set-up as a multi-media/interactive/ presentation theatre.

Tenants have access to first class infrastructure and facilities for a wide variety of events such as press conferences, seminars and even large scale information sessions.

Special Purpose meeting facilities offer clients an alternative to typical meeting location.

The training lab and meeting rooms at ATC are regularly used by a wide variety of private and public sector organizations. These facilities provide a professional and convenient setting for conferences, information sessions and training seminars.

Video conferencing is available for one-on-one job interviews or large group information sessions.

The ATC Data Centre, the only co-location facility of its kind in the province is located in the lower level. It offers 2500 square feet of secure climate controlled space. The Data Centre houses a mix of both on-Island and off-Island clients.

Food Technology Centre

The Food Technology Centre (FTC) provides confidential innovation and technical support for food and bioresource processors. All of the work done at the Centre is for industry clients as project contracts or laboratory analysis service contracts.

The Centre completed 32 project contracts in the 2010-2011 fiscal year. There were 30 signed project contracts in progress at the end of the fiscal year and there were another 22 project contracts proposed or developing at year-end. In addition, FTC completed 39 service contracts funded through the NRC-IRAP Network Member Agreement.

These project contracts and service contracts earned revenue to supplement the operating grant provided by the Province of Prince Edward Island and included product and process development, troubleshooting and industry workshops.

The FTC microbiology laboratory provides essential food safety analysis on value-added food products for international shipment.

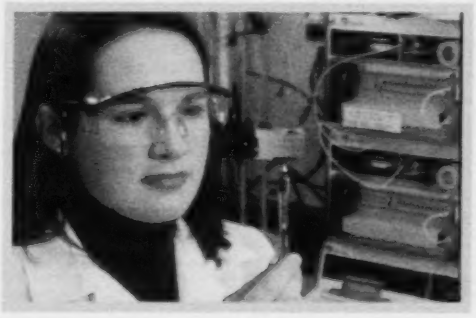
Since November 2006, FTC has been distributing a monthly e-newsletter to more than 2,500 clients and key contacts as well as to selected Government contacts to promote its activities and as a marketing tool. Case studies from the newsletters illustrate the type of work done at the Centre.

Natural Products Extraction Technology

During the last seven years, $7.9 million has been invested in a 5,500 sq. ft. expansion with two new pilot plants, new equipment for bioextraction, fermentation and downstream processing, as well as staffing to provide support to the bioscience sector. This funding was provided by the Atlantic Innovation Fund, the Provincial Government, industry and FTC.

Accreditations

FTC is a registered ISO 9001:2008 company (1S0 registered since 1997), has Standards Council of Canada Accreditation for the laboratories, is a Registered Food Processing Plant with the Canadian Food Inspection Agency and is a Certified Organic Processor.



Food & Technology Centre

PEI Product Development Fund

The PEI Product Development Fund assists Prince Edward Island companies access professional, technical assistance through the services of the FTC. This funding is applied to the development (including technology transfer) and testing of new and improved products and processes, and other technical development related activities. The Fund contributes 50% of project costs to a maximum of $50,000.

The Fund is available to Prince Edward Island businesses that meet the eligibility of the Fund on approved activities. Activities which seek to enhance the value-added component of production will be given first priority and emphasis will be on projects that are clearly expected to have a positive impact on Prince Edward Island businesses and their growth by displacing imported products and creating export opportunities.

Funding Agreements

FTC has a Network Member Agreement with the National Research Council IRAP Program. This enables FTC to provide fast response to clients as approval to proceed with work on projects is obtained usually the same day as it is requested. This allows FTC to begin work for the clients as soon as possible.

FTC has a funding agreement with Canadian Dairy Commission which allows food processors who use milk ingredients access to funding programs. The programs give processors an opportunity for consultation and development work at the Centre.

Appendix A

Innovation PEI

Consolidated Financial Statements
March 31, 2011

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

A Member Firm of The AC Group of Independent Accounting Firms Limited

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PO Box 455
Charlottetown, Prince Edward Island
Canada C1A 7L1
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June 29, 2011

Auditor's Report

To the Minister of Innovation and Advanced Learning

We have audited the accompanying consolidated financial statements of **Innovation PEI**, which comprise the consolidated balance sheet as at March 31, 2011, and the consolidated statements of earnings, retained earnings and contributed surplus and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **Innovation PEI** as at March 31, 2011, and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

ArsenaultBestCameronEllis

Chartered Accountants

Innovation PEI

Consolidated Balance Sheet

As at March 31, 2011

	2011 $	2010 $
Assets		
Current assets		
Cash and short-term investments	5,475,160	4,350,721
Accounts receivable (notes 3 and 16)	2,218,086	8,789,009
Prepaid expenses	69,452	56,880
Advances to Biocommons Development Inc.	1,938,348	-
Current portion of loans receivable	4,066,153	12,360,335
	13,767,199	25,556,945
Due from the Province of Prince Edward Island (note 4)	29,992,867	31,421,167
Loans receivable, less current portion (note 5)	13,202,846	13,339,213
Investment in private companies (note 6)	359,999	360,002
Property holdings (note 7)	9,982,102	10,493,544
Property and equipment (notes 8 and 16)	17,286,892	18,314,961
Net investment in leases, less current portion (note 9)	828,030	785,030
	85,419,935	100,270,862
Liabilities		
Current liabilities		
Bank advances	610,945	94,501
Short-term notes payable (note 10)	12,618,621	20,618,621
Accounts payable and accrued liabilities (notes 14 and 16)	25,298,761	30,074,852
Deferred revenue	33,486	34,175
Advances from related company (note 16)	2,500,000	2,500,000
Current portion of long-term debt	3,623,036	3,884,031
	44,684,849	57,206,180
Long-term debt, less current portion (note 11)	25,108,089	28,578,505
Deferred credits (notes 12 and 16)	8,995,556	9,820,713
Deferred contributions (note 13)	3,305,675	4,034,457
	82,094,169	99,639,855
Contingent liabilities (note 14)		
Equity		
Contributed surplus (note 16)	366,039	366,039
Retained earnings	2,959,727	264,968
	3,325,766	631,007
	85,419,935	100,270,862

Approved by the Board of Directors

_____ Director

_____ Director

Arsenault Best Cameron Ellis
CHARTERED ACCOUNTANTS

Innovation PEI

Consolidated Statement of Retained Earnings

For the year ended March 31, 2011

	2011 $	2010 $
Retained earnings - Beginning of year	264,968	232,097
Excess revenue for the year	2,820,881	32,871
	3,085,849	264,968
Transfer of subsidiary (note 17)	(126,122)	-
Retained earnings - End of year	2,959,727	264,968

Innovation PEI

Consolidated Statement of Earnings

For the year ended March 31, 2011

	2011 $	2010 $
Revenue		
Grant - Province of Prince Edward Island	27,471,700	31,841,300
Investment income	48,093	63,964
Interest on loans receivable	1,419,791	1,509,362
Guarantee fees	900	12,740
Property operations	5,272,438	4,365,068
Project revenues	1,097,298	1,549,896
	35,310,220	39,342,330
Expenditures (note 16)		
Operating	5,817,481	5,422,628
Property operations	4,290,332	4,151,285
Development programs	20,903,151	27,247,758
Allowance for credit losses and guarantee payments (note 4)	(365,592)	(12,458,827)
Investment operations	995,590	633,010
Project costs	49,906	504,837
Impairment of property holdings	-	12,943,282
Amortization - property holdings, property and equipment and deferred costs	1,263,688	1,681,109
Amortization - deferred credits	(465,217)	(815,623)
	32,489,339	39,309,459
Excess revenue for the year	2,820,881	32,871

ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

Innovation PEI

Consolidated Statement of Cash Flows

For the year ended March 31, 2011

	2011 $	2010 $
Cash provided by (used in)		
Operating activities		
Excess revenue for the year	2,820,881	32,871
Items not affecting cash		
Amortization - deferred credits	(465,217)	(815,623)
Amortization - property holdings and property and equipment	1,263,688	1,681,109
Increase - net investment in lease	(43,000)	(43,000)
Gain on sale of property holdings	(1,446,344)	(622,421)
Impairment of property holdings	-	12,943,282
Decrease in due from the Province of Prince Edward Island - allowance for possible losses	365,592	12,458,827
	2,495,600	25,635,045
Net change in non-cash working capital items		
Decrease (increase) in accounts receivable - net	6,570,923	(5,493,104)
Increase in prepaid expenses	(12,572)	(37,633)
Increase (decrease) in accounts payable and accrued liabilities	(4,776,091)	3,326,776
Decrease in provision for payment of guarantees	-	(14,784,661)
Decrease in deferred revenue	(689)	(243,078)
	4,277,171	8,403,345
Financing activities		
Decrease (increase) in due from Province of P.E.I. - current operations	1,062,708	(17,821,749)
Increase in deferred credits - net	65,293	2,578,711
Increase (decrease) in short-term notes payable	(8,000,000)	13,620,000
Increase (decrease) in long-term debt (net)	(3,731,411)	7,131,486
Increase in deferred contributions	(722,536)	2,409,920
Transfer of EISI equity	(126,122)	-
	(11,452,068)	7,918,368
Investing activities		
Transfer of EISI property and equipment - net	3,284	-
Purchase of property and equipment - net	(98,480)	(2,811,683)
Additions to and purchase of property holdings	(185,248)	(12,848,362)
Reductions of and proceeds on disposal of property holdings	1,571,032	825,008
Decrease in investment in private companies	3	861,526
Decrease (increase) in loans receivable (net)	8,430,649	(5,673,408)
Increase in advances from related company	-	2,500,000
Increase in due to Biocommons Developments Inc.	(1,938,348)	-
	7,782,892	(17,146,919)
Increase (decrease) in net cash and short-term investments	607,995	(825,206)
Net cash and short-term investments - Beginning of year	4,256,220	5,081,426
Net cash and short-term investments - End of year	4,864,215	4,256,220
Net cash and short-term investments consists of:		
Cash and short-term investments	5,475,160	4,350,721
Bank advances	(610,945)	(94,501)
	4,864,215	4,256,220
Supplementary disclosure		
Interest and dividends received	1,393,978	1,559,656
Interest paid	1,829,903	1,450,896

1 Status of the Corporation

Innovation PEI (formerly Prince Edward Island Business Development Inc.) (the "Corporation") is a Crown corporation established under the Innovation PEI Act on December 9, 2009. According to the transitional provisions of the Act, Innovation PEI became the successor to Prince Edward Island Business Development Inc. ("PEIBDI") and assumed responsibility for the management and administration of the programs of PEIBDI, all contracts and agreements entered into by PEIBDI, the real and personal property of PEIBDI, and the assets and liabilities of PEIBDI. Section 22(2)(d) of the Act indicates that the transactions of PEIBDI from April 1, 2008 until the date this Act comes into force, shall be included in the operations of the Corporation. The transition from PEIBDI to the Corporation commenced effective April 1, 2009.

2 Summary of significant accounting policies

a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiaries, F.T.C. Enterprises Limited, Atlantic Technology Centre Inc., PEI Biocommons Inc. and 100417 P.E.I. Inc. all having March 31, 2011 year ends.

b) Due from the Province of Prince Edward Island

i) Current operations

Operating grant – Province of Prince Edward Island is the balance due from the Province for grants received that are less than the operating grant of $27,471,700 allocated to Innovation PEI through the appropriation process.

ii) Allowance for possible credit losses

The annual allowance for possible credit losses (expense or recovery) is recorded as the current year's allowance for possible losses expense in the amount "Due from the Province of Prince Edward Island – Allowance for Possible Credit Losses" in note 4. The "Due from the Province of Prince Edward Island – Allowance for Possible Credit Losses" is reduced when a write-off is recognized by both Innovation PEI and the Province, with notes payable reduced correspondingly. The allowance for possible losses is also reduced by any payment received from the Province on the allowance for possible losses for guarantees.

c) Loans receivable

Working capital and craft loans are recorded at amortized cost less an allowance for possible losses.

Long-term loans are recorded at amortized cost less an allowance for possible losses.

An impaired loan is a loan where in management's opinion there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest. Allowance for possible losses are calculated on loans receivable as outlined in note 2d).

d) **Allowance for possible losses**

An allowance for possible losses is maintained which is considered adequate to absorb all credit and investment related losses and off-balance sheet items including guarantees. The allowance is deducted from the applicable asset on the balance sheet, except for guarantees. The allowance for guarantees is included in accounts payable for Entrepreneur Loan Program guarantees and as a provision for payment of loan guarantees on the balance sheet for the remaining guarantees allowance.

The allowance consists of specific and general provisions.

Specific provisions include the accumulated allowances for losses on particular assets required to reduce the book values to estimated realizable amounts. Specific provisions total $6,451,816 (2010 - $6,242,691). The accumulated allowances for losses on specific off-balance sheet items total $106,600 (2010 - $99,080) and this is included in accounts payable and accrued liabilities.

The Corporation does not accrue interest on a loan receivable once a specific provision has been recorded against the loan.

The Corporation reviews its loans portfolio, investments and advances, leased property and property holdings and guarantees on an ongoing basis to assess whether an allowance or write-off is required.

A variety of methods are used to determine the amount expected to be recovered from investments in and advances to private companies and property holdings, including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken.

A general provision of $4,803,666 (2010 - $5,378,383) includes accumulated allowances for losses which are prudential in nature and cannot be specifically identified. The general provision is based on past performance of similar assets, the level of the specific provision, management's judgment, the economic climate and the maturity and financial strength of the investee.

e) **Investment in private companies**

Investment in private companies, except for three preferred share investments not considered to be concessionary, are recorded at one-half of cost. An expense of 50% is charged to development programs when the funds are invested. The remaining cost is reduced by any applicable allowance for possible losses. Any recovery exceeding the balance in share investment is taken into revenue when received.

The three investments in preferred shares of private companies that are not being carried at one-half of their cost are being carried at the lower of cost and estimated realizable value.

Investment in private companies are reviewed annually for potential declines in value and are written down or an allowance is recorded if a decline in value is considered evident. Write downs are included in development programs expense.

It is not practical within constraints of timeliness and cost to determine the fair value of the investment in private companies as these investments are in closely held private companies that have no organized financial market. The estimated realizable value of these investments and advances is based on expected future cash flows.

f) **Property holdings, property and equipment and amortization**

i) Property holdings

Property holdings are reported at the lower of cost and estimated realizable value.

Land improvements, buildings and malls, industrial sites, land, buildings and equipment held for resale or under lease purchase options, and the test cell are amortized using the declining balance or straight-line method at the rates indicated in note 7.

Proceeds on the sale of industrial sites are recorded as a reduction in the carrying value of the asset.

ii) Property and equipment

Buildings, equipment, computer hardware and software, furniture and fixtures, waste treatment facility and land improvements are amortized using the straight-line method at annual rates as indicated in note 8.

A full year's amortization is recorded in the year of acquisition.

iii) Estimated realizable value

Estimated realizable value for industrial sites is the expected proceeds on resale and for industrial malls it is the property tax assessed value.

Estimated realizable value for land, buildings and equipment held for resale or under lease purchase options is its property tax assessed value.

Estimated realizable value for the test cell is the net cost to construct the asset supported by a payment under a long-term lease agreement.

Any reduction from cost to estimated realizable value is recorded as a provision for possible losses.

g) **Net investment in leases**

The Corporation accumulates costs of constructing assets, that are to be classified as capital leases, as assets under capital lease, and the related grants as deferred credits until the lease term begins. When the lease term begins, the assets under capital lease and deferred credits are removed from the balance sheet and a net investment in lease recorded. The net investment in leases represents the net present value of the minimum lease payments receivable over the term of the lease plus the purchase option. For conventional leases, the carrying amount of the lease is the principal amount due from the leasee over the term of the lease, plus any purchase option.

h) **Programs assistance payable**

Program assistance is expensed and included in accrued liabilities when approved and accepted except for Federal-Provincial cost shared programs and provincially-funded assistance requiring future performance criteria which are expensed when the funds are disbursed.

P.E.I. labour rebate commitments that extend beyond two years are deferred. Commitments under this program are expensed in each year of the commitment but only to the extent that performance criteria is met for that particular period.

i) **Foreign currency**

Monetary assets and liabilities denominated in foreign currencies are translated into Canadian dollars at the exchange rate prevailing at the balance sheet date. Revenues and expenses denominated in foreign currencies are translated at the average monthly exchange rate.

Exchange differences are recognized into income in the period in which they arise.

j) **Post retirement benefits**

The Corporation provides retirement benefits to eligible employees. The benefit is based on one week's salary per year of service to a maximum of 26 weeks and is expensed on an accrual basis.

k) **Employee pension plan**

Most of the Corporation's staff are members of the Province of Prince Edward Island pension plan. Pension obligations are liabilities of the Province and not the Corporation and no liability for these costs has been accrued by the Corporation at March 31, 2011.

l) **Deferred credits**

Innovation PEI and its subsidiaries have adopted the policy that contributions received towards the acquisition of property and equipment will be recorded as deferred credits and amortized to earnings on the same basis as the related property and equipment are amortized. Contributions received and not spent on capital assets at year end are recorded as deferred contributions.

m) **Government assistance**

During the prior year, the company received $2,375,000 from the Province of Prince Edward Island to purchase land. This contribution has been recorded as deferred credits.

n) **Revenue recognition**

Grants from the Province of Prince Edward Island and investment income are recorded in the period earned.

Interest on loans is recognized as revenue in the period earned except where a loan is classified as impaired. Interest earned on an impaired loan is recognized as revenue only when it has been received.

Long-term rental and common area revenues are recognized on a monthly basis in accordance with lease agreements. Short-term rentals are recognized when the space has been provided to customers.

Revenues from retail sales and utility user fees are recorded when collection is reasonably assured and all other significant conditions of service are met.

Innovation PEI subsidiaries follow the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's revenue based on the expenditures incurred and work completed on each contract in progress as at the balance sheet date. Unearned revenue is recorded as deferred revenue.

o) **Management estimates**

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

p) **Financial instruments**

The Corporation's financial instruments consist of cash and short-term investments, accounts receivable, loans receivable, due from the Province of Prince Edward Island, investment in private companies, net investment in leases, bank advances, short-term notes payable, accounts payable and accrued liabilities, provision for payment of guarantees, advances from related company and long-term debt. They are classified as follows:

Loans receivable and net investment in leases have been classified as "loans and receivables" and are recorded at amortized cost using the effective interest rate method.

Investment in private companies have been classified as "available for sale". As there are no publicly quoted market values for the investments, the fair value is estimated based on expected future cash flows.

Short-term notes payable and long-term debt are recorded at amortized cost using the effective interest method.

Due to their short-term nature, all other financial instruments are considered to be carried at amounts which approximate their fair value.

The Corporation does not enter into financial hedging activities and does not engage in derivative transactions.

q) **Financial risk management objectives and policies**

The Corporation's risk management policies are part of the overall management of the Corporation's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. As part of the overall management of the Corporation's operations management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the Corporation's exposure.

3 Accounts receivable

The accounts receivable have been reduced by an allowance for possible losses of $239,552 (2010 - $285,778).

4 Due from the Province of Prince Edward Island

	2011 $	2010 $
Current operations		
Operating grant - Province of Prince Edward Island	5,913,000	7,341,300
Operating grant - recovery of previous year's provision	12,824,385	12,458,793
	18,737,385	19,800,093
Allowance for possible credit losses		
Balance - beginning of year	11,621,074	24,079,901
Current year's allowance for possible credit losses expense	(365,592)	(12,458,827)
	11,255,482	11,621,074
Balance - End of year	29,992,867	31,421,167

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5 Loans receivable

	Total $	Impaired loans included in total $	Allowance for possible losses General $	Allowance for possible losses Specific $	2011 Net $	2010 Net $
Working capital and craft loans						
Manufacturing and processing	5,632,460	3,069,809	642,043	2,515,069	2,475,348	1,556,151
Tourism	109,614	-	10,961	-	98,653	45,000
Small business	433,806	111,123	32,268	111,122	290,416	283,649
Other	189,227	-	21,057	-	168,170	160,432
	6,365,107	3,180,932	706,329	2,626,191	3,032,587	2,045,232
Long-term loans						
Shipbuilding/shipping	12,524,285	10,000	1,251,430	10,000	11,262,855	21,239,997
Manufacturing and processing	5,749,544	1,833,279	2,057,584	1,878,596	1,813,364	1,702,960
Tourism	250,000	-	200,000	-	50,000	66,522
Small business	1,954,828	338,690	511,037	338,689	1,105,102	644,837
Other	82,377	-	77,286	-	5,091	-
	20,561,034	2,181,969	4,097,337	2,227,285	14,236,412	23,654,316
Total loans receivable	26,926,141	5,362,901	4,803,666	4,853,476	17,268,999	25,699,548
Less: current portion	7,724,033	2,155,050	1,490,843	2,167,037	4,066,153	12,360,335
	19,202,108	3,207,851	3,312,823	2,686,439	13,202,846	13,339,213

Working capital and craft loans are issued at long-term interest rates and are repayable over terms to a maximum of 7 years with various interest rates ranging from 3% to 9.25%.

Long-term loans are issued at long-term interest rates and are repayable over various terms to a maximum of 20 years with interest rates ranging from 3% to 8.5%.

The Corporation has invested 47% (2010 - 44%) of its loan receivable portfolio in the shipbuilding, shipping sector with one group of companies, representing a significant concentration of credit risk in the loans receivable portfolio.

	2011 $	2010 $
Continuity of allowance for possible losses		
Allowance for possible losses - Beginning of year	9,862,734	8,034,474
Add: Provision (recovery) recorded during the year	(205,592)	1,828,260
Allowance for possible losses - End of year	9,657,142	9,862,734

6 Investment in private companies

	2011 $	2010 $
Investment in private companies		
Small Business and Venture Capital Equity Program investments	445,529	445,529
Less: Allowance for possible losses	(445,529)	(445,529)
	-	-
56,000 common shares of Slemon Park Corporation at cost	1	1
Investment in preferred shares of private companies	1,512,809	1,672,812
Less: Allowance for possible losses	(1,152,811)	(1,312,811)
	359,999	360,002
	359,999	360,002

	2011 $	2010 $
Continuity of allowance for possible losses		
Allowance for possible losses - Beginning of year	1,758,340	1,260,764
Add: Provision recorded during the year	-	613,811
Less: Recovery during the year	(160,000)	(116,235)
Allowance for possible losses - End of year	1,598,340	1,758,340

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7 Property holdings

	Amortization rate %	Cost $	Accumulated amortization $	2011 Net $	2010 Net $
Innovation PEI					
Land		981,500	-	981,500	981,500
Land improvements	10%	44,765	44,765	-	4,476
Buildings and malls	4%	1,666,770	651,221	1,015,549	1,082,221
Land, buildings and equipment held for resale or under lease purchase options	7%	2,993,734	320,580	2,673,154	2,699,130
Industrial sites	10-30 years	11,086,959	8,640,353	2,446,606	2,614,072
Test cell	5%	4,937,000	2,071,707	2,865,293	3,112,145
		21,710,728	11,728,626	9,982,102	10,493,544

Included in land, buildings and equipment held for resale or under lease purchase options is land of $1,334,302 (2010 - $1,334,302).

Included in industrial sites is land of $369,000 (2010 - $369,000).

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CHARTERED ACCOUNTANTS

8 Property and equipment

	Amortization rate	Cost $	Accumulated amortization $	2011 Net $	2010 Net $
F.T.C. Enterprises Limited					
Buildings	20 years	2,954,548	2,745,748	208,800	304,957
AIF Building	25 years	1,497,297	1,497,297	-	-
Pilot plant and laboratory equipment	10 - 20 years	3,270,516	3,031,197	239,319	324,157
Computer and audio visual equipment	33 1/3 years	492,812	492,812	-	-
Furniture and equipment	20 years	171,779	171,779	-	-
AIF equipment	100 years	2,098,606	2,098,606	-	-
		10,485,558	10,037,439	448,119	629,114
Environmental Industrial Services Inc.					
Waste water treatment facility	3.33 years	-	-	-	434,743
Atlantic Technology Centre Inc.					
Land		1,691,916	-	1,691,916	1,691,916
Land improvements	10 years	63,596	55,929	7,667	14,026
Building	2.5 years	16,585,745	3,833,530	12,752,215	13,158,187
Furniture and fixtures	20 years	313,273	313,273	-	-
Computer hardware	33 1/3 years	1,501,681	1,501,681	-	-
Computer software	100 years	61,600	61,600	-	-
		20,217,811	5,766,013	14,451,798	14,864,129
P.E.I. Biocommons Inc.					
Land		2,386,975	-	2,386,975	2,386,975
		33,090,344	15,803,452	17,286,892	18,314,961

9 Net investment in leases

The net investment in lease represents the purchase option receivable from the lessee, due July 1, 2015.

The net investment in lease is recorded at the net present value of the total lease payments using a discount rate of 5.5%, calculated as follows:

	2011 $	2010 $
Total of lease payments to be received to July 1, 2015	1,000,030	1,000,030
Less: Portion representing interest at 5.5%	(172,000)	(215,000)
Net present value of net investment in lease	828,030	785,030

10 Short-term notes payable

	2011 $	2010 $
Demand note payable to Island Investment Development Inc.	6,998,621	14,998,621
Demand note payable to Province of Prince Edward Island	5,620,000	5,620,000
	12,618,621	20,618,621

During the 2007 year, the Corporation entered into an agreement with Island Investment Development Inc., a provincial Crown corporation, to obtain a $15,000,000 revolving line of credit. The balance of the line of credit at March 31, 2011 is $6,998,621 (2010 - $14,998,621).

Interest on both demand notes is charged monthly at a rate equal to the Department of Provincial Treasury of Prince Edward Island's short-term lending rate and the total amounts are repayable on demand.

The demand note to Island Investment Development Inc. is secured by a promissory note for $15,000,000 and a revolving credit agreement. The demand note to Province of Prince Edward Island is unsecured.

Interest paid by Innovation PEI and its subsidiaries are included in the expenditure category to which it relates. Included in expenses is interest for 2011 in the amount of $143,768 (2010 - $56,043).

11 Long-term debt

	2011 $	2010 $
4.00% note payable, due January 2012, repayable $11,249 monthly including principal and interest	556,846	556,846
4.00% note payable, due January 2013, repayable $12,595 monthly including principal and interest	1,430,499	1,430,499
5.33% note payable to Province of Prince Edward Island, repayable in monthly payments including principal and interest of various amounts ranging from $31,062 to $190,104, maturing March 2015	7,964,088	9,856,842
6.62% Bank of Nova Scotia mortgage, repayable $40,333 monthly plus interest, maturing August 2017	7,945,667	8,429,667
6.01% note payable, due December 2024, repayable $88,025 monthly including principal and interest	9,911,621	10,364,848
5.54% note payable, due December 2024, repayable $7,969 monthly including principal and interest	922,404	966,205
4.00% note payable, repaid during the year	-	857,629
	28,731,125	32,462,536
Less: Current portion	3,623,036	3,884,031
	25,108,089	28,578,505

The 4.00% notes are payable to Island Investment Development Inc., a provincial Crown corporation.

The 6.62% Bank of Nova Scotia mortgage is secured by a full guarantee provided by the Province of Prince Edward Island.

The 6.01% and 5.54% notes payable are secured by a general security agreement covering certain property holdings.

All other notes payable are unsecured.

The aggregate amount of principal payments required in each of the next five years to meet retirement provisions is as follows:

	$
Year ending March 31, 2012	3,623,036
2013	4,378,498
2014	3,196,036
2015	2,997,862
2016	1,150,956

Interest paid by Innovation PEI and its subsidiaries are included in the expenditure category to which it relates. Included in expenses is interest for 2011 in the amount of $1,228,105 (2010 - $1,461,768).

12 Deferred credits

			2011	2010
	Cost $	Accumulated amortization $	Net $	Net $
F.T.C. Enterprises Limited				
Buildings	4,826,799	4,378,680	448,119	629,109
Pilot plant and laboratory equipment	1,572,333	1,572,333	-	-
	6,399,132	5,951,013	448,119	629,109
Environmental Industrial Services Inc.				
Waste water treatment facility	-	-	-	425,240
Atlantic Technology Centre Inc.				
Building	6,861,000	1,439,557	5,421,443	5,592,971
Furniture and fixtures	313,273	313,273	-	-
Computer hardware	1,424,927	1,424,927	-	-
Computer software	50,800	50,800	-	-
	8,650,000	3,228,557	5,421,443	5,592,971
P.E.I. Biocommons Inc.				
Land	2,375,000	-	2,375,000	2,375,000
Innovation PEI				
Industrial sites	8,715,906	7,964,912	750,994	798,393
	26,140,038	17,144,482	8,995,556	9,820,713

13 Deferred contributions

Two of the subsidiaries has received funding to offset the cost of acquiring property and equipment. When the funds are expended to acquire the property and equipment, the deferred contributions balance will be reallocated to deferred credits.

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14 Contingent liabilities

a) The Corporation is contingently liable under loan guarantees at March 31 as follows:

	2011 $	2010 $
Loan guarantees	2,142,755	2,685,895

	2011 $	2010 $
Continuity of allowance for possible losses		
Allowance for possible losses - Beginning of year	-	14,784,661
Less: Current year payment	-	(14,705,000)
Current year recovery	-	(79,661)
Allowance for possible losses - End of year	-	-

The provision for possible payment for the loan guarantees is included in the overall allowance for possible losses.

The Corporation is also contingently liable under entrepreneur loan program guarantees of $710,664 (2010 - $660,530) for which a provision for possible losses of $106,600 (2010 - $99,080) has been included in accounts payable and accrued liabilities.

The above guarantees have various expiry dates ranging from August 2013 to May 2023.

The guarantees are secured by various assets of the company being guaranteed and proceeds from liquidation are expected to cover the net carrying amount of the guarantees.

Related party amounts

Included in loan guarantees is a guarantee of a term loan in the amount of $1,593,721 (2010 - $1,718,725) provided to Slemon Park Corporation, which is a company with a portion of shares held by a wholly-owned subsidiary of Innovation PEI.

b) The Corporation has been named in a legal action filed by a private company seeking unspecified damages. Management believes this claim is completely without foundation and that the liability resulting from this claim, if any, is unlikely at this time and, accordingly, no provision has been recorded in the accounts for future possible losses.

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15 Commitments

a) F.T.C. Enterprises Limited has entered into a twenty-five year lease expiring November 2013 with the University of Prince Edward Island for the land upon which the Corporation constructed its facilities. The lease cost is $1 per year and is renewable for a further term of twenty-five years for the same annual consideration.

b) Loans approved by Innovation PEI but not disbursed at March 31, 2011 total $1,200,00 (2010 - $9,897,518).

c) The Corporation has committed to disbursing $22,587,340 (2010 - $23,215,108) for labour rebate program assistance, $6,845,915 (2010 - $6,701,195) for enriched investment tax credits, $1,142,500 (2010 - $1,542,000) in industry chair program assistance, $668,193 (2010 - $1,446,269) for specialized labour rebates and $166,730 (2010 - $73,640) for share purchase tax credit over the next four years provided the companies meet their requirements.

16 Related party transactions

Balance sheet

Accounts receivable

Included in accounts receivable is $299,194 (2010 - $2,465,318) due from the Province of Prince Edward Island and $715,747 (2010 - $285,255) due from related companies.

Property and equipment

The Province of Prince Edward Island conveys land to the Corporation periodically to be used for development purposes. The exchange and carrying amounts of land when transferred into the Corporation is nil.

Accounts payable

Included in accounts payable and accrued liabilities is $76,045 (2010 - $85,091) payable to the Province of Prince Edward Island, and $187,250 (2010 - $109,559) due to related companies.

Advances from related company

Advances from related company are non-interest bearing and have no specific terms of repayment. The related company is Island Investment Development Inc., a provincial Crown corporation.

Deferred credits

During the year, PEI Biocommons Inc. received grants of nil (2010 - $2,375,000) from Innovation PEI that have been accounted for as deferred credits and included in program expenditures for the year. These amounts have not been eliminated on consolidation.

The cumulative total received by Atlantic Technology Centre Inc. from Innovation PEI to March 31, 2011 in grants to fund capital asset acquisitions was $4,150,000 (2010 - $4,150,000). These grants are included in deferred credits. These amounts have not been eliminated on consolidation.

Contributed surplus

F.T.C. Enterprises Limited received a cumulative total of $366,039 in funds from the Province of Prince Edward Island through Innovation PEI that have been accounted for as contributed surplus. This contribution has not been eliminated on consolidation.

Statement of revenue and expenditures

Property operations

Included in property operations revenue is $357,283 from related parties.

Management fees

During the year, management fees of $500,000 (2010 - $450,000) were received from Island Investment Development Inc. and recorded as a reduction in operating expenditures. Included in grants from related parties is nil (2010 - nil) received from Island Investment Development Inc.

Interest expense

Included in expenditures is $537,565 (2010 - $564,420) in interest paid to the Province of Prince Edward Island.

Included in expenditures is $171,686 (2010 - $218,663) in interest paid to a provincial Crown corporation.

Other

The Corporation provides office premises to Tourism PEI for nil consideration.

The Corporation rents land for the annual amount of $2,120 plus applicable taxes from Slemon Park Corporation under a fifty-year lease agreement, effective for the term September 28, 2001 to September 28, 2051.

100417 P.E.I. Inc., a wholly-owned subsidiary of Innovation PEI, owns 56% of the common shares of Slemon Park Corporation.

17 Transfer of subsidiary

On September 14, 2009, Executive Council approved the transfer of Environmental Industrial Services Inc. (EISI), a subsidiary of Innovation PEI, to Island Waste Management Corporation (IWMC), a Crown agency of the Department of Transportation and Public Works.

On April 1, 2010, the net assets and liabilities transferred were as follows:

	$
Cash	84,209
Accounts receivable	122,185
Property and equipment	434,743
Accounts payable	(30,633)
Deferred credits	(425,240)
Advances from parent	(52,893)
Deferred contributions	(6,249)
Net assets transferred	126,122

Environmental Industrial Services Inc.'s shares were transferred to Island Waste Management Corporation for nil consideration.

18 Comparative figures

Certain 2010 comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

19 Interest rate risk

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the Corporation's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, notes receivable are shown at contractual maturity but certain notes could prepay earlier.

	Under 1 year $	Over 1 to 5 years $	Over 5 years $	Not interest rate sensitive $	Total $
Assets					
Cash and short-term investments	3,975,160	1,500,000	-	-	5,475,160
Accounts receivable	-	-	-	2,218,086	2,218,086
Prepaid expenses	-	-	-	69,452	69,452
Advances to PEI Biocommons Inc.	-	-	-	1,938,348	1,938,348
Loans receivable (net of allowance for losses)	4,066,153	13,202,846	-	-	17,268,999
Effective interest rate	4.15%	4.27%			
Due from the Province of Prince Edward Island	-	-	-	29,992,867	29,992,867
Investment in non-marketable securities	180,000	179,998	-	1	359,999
Effective interest rate	4%	4%			
Property holdings	-	-	-	9,982,102	9,982,102
Property and equipment	-	-	-	17,286,892	17,286,892
Net investment in leases	-	-	-	828,030	828,030
Total assets	8,221,313	14,882,844	-	62,315,778	85,419,935
Liabilities and equity					
Bank advances	-	-	-	610,945	610,945
Short-term notes payable	12,618,621	-	-	-	12,618,621
Effective interest rate	1.19%				
Accounts payable and accrued liabilities	-	-	-	25,298,761	25,298,761
Deferred revenue	-	-	-	33,486	33,486
Advances from related company				2,500,000	2,500,000
Notes payable and long-term debt	3,623,036	11,723,349	13,384,740	-	28,731,125
Deferred credits	-	-	-	8,995,556	8,995,556
Deferred contributions	-	-	-	3,305,675	3,305,675
Contributed surplus	-	-	-	366,039	366,039
Retained earnings	-	-	-	2,959,727	2,959,727
Total liabilities and deficit	16,241,657	11,723,349	13,384,740	44,070,189	85,419,935
Interest rate sensitivity gap	(8,020,344)	3,159,495	(13,384,740)	18,245,589	-